

attempt to accomplish a similar purpose as decoupling, the General Assembly adopted several specific measures in Senate Bill 3 last year intended to encourage utilities to promote conservation and energy efficiency. Pursuant to G.S. 62-133.9(d), a utility may recover its costs associated with new energy efficiency measures outside of a general rate case; it may capitalize and earn a return on its costs as it would with investment in supply-side resources; and it may receive an additional incentive based upon a sharing of the savings, a percentage of avoided costs, or any other means determined by the Commission to be appropriate. Having only issued its rules implementing Senate Bill 3 earlier this year, the Commission believes that it is premature to adopt new major changes to electric utility rate structures before it has been determined whether the incentives under Senate Bill 3 serve their intended purpose and are sufficient. The Commission, therefore, recommends that additional decoupling tactics not be adopted for electric power suppliers in North Carolina on a generic basis at this time.

Time-differentiated rates

Time-differentiated rates, including time-of-use (TOU), critical peak pricing (CPP), and real-time pricing (RTP) rates, encourage reduced energy usage when a utility's variable production costs are high by offering different rates for different months of the year or hours of the day. The rates may be set in advance and averaged over many hours or many months, as with TOU rates, or may be set dynamically (a single day or hour ahead), as with CPP and RTP rates.

The Commission recommends that utilities make efforts to increase the promotion and utilization of time-differentiated rates by all customers. For example, utilities are encouraged to inform new customers about the TOU rate option when they apply for electric service. As demonstrated by the utility data submitted in this docket, the level of participation in TOU rates among residential customers, in particular, continues to be quite low. Two reasons offered for this lack of participation include the additional metering cost imposed on TOU customers and the uncertainty regarding the savings that will actually be achieved. Although the Commission does not believe it is in the public interest to mandate participation for all customers in time-differentiated rates, the Commission encourages utilities to investigate opportunities to better educate their customers, to examine existing time-differentiated rates to ascertain whether design improvements could be made, and to reduce the cost of participation in TOU rates as the cost of more advanced metering falls. Lastly, the Commission encourages utilities to increase choices for their customers and to investigate alternatives to current time-differentiated rates, such as multi-tier TOU and CPP rates.